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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Howard Marklein
Representative Mark Born

Date: December 21, 2021

Re: WHEDA Report to JFC

Attached is a report on the FY2021 Partnership Lending Program from the Wisconsin Housing and Economic Development Authority, pursuant to s. 234.65, Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

HM:MB:jm

ECONOMIC DEVELOPMENT



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WHEDA

Chapter 234.65 Programs

Annual Activity Report

Fiscal year July 1, 2020 to June 30, 2021

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Chapter 234.65 Reporting Requirement

The Wisconsin Housing and Economic Development Authority (the "Authority"; "WHEDA") may issue bonds and notes to finance its economic development activities authorized or required under Chapter 234.65, including the financing of economic development loans.

The Authority currently has two Programs that fall under Chapter 234.65 requirements:

1. The Participation Loan Program (the "PLP" Program)
2. The Conduit Bond Issuance Program ("Bond")

These programs are intended to provide Wisconsin businesses financing to create and retain jobs in the State of Wisconsin, and to promote economic development in both rural and urban communities.

All programs have been implemented. Per Chapter 234.65 Section 4, the following reporting is required:

"In respect to the loans issued under this section, the authority shall submit to the governor, the joint committee on finance and the chief clerk of each house of the legislature, for distribution to the appropriate standing committees under s. 13.172(3), within 6 months after the close of its fiscal year an annual report including all of the following for the fiscal year:

- a) *A statement of the authority's operations, accomplishments, goals and objectives.*
- b) *A financial statement showing income and expenses, assets and liabilities and a schedule of its bonds and notes outstanding and the amounts redeemed and issued.*
- c) *The effects of lending under this section in the following areas:*
 1. *Maintaining or increasing employment in this state.*
 2. *Locating economic development projects in areas of high unemployment or low average income.*
 3. *Obtaining the participation of a large number of financial institutions in the lending.*
 4. *The geographical distribution of lending in this state."*

In compliance with Chapter 234.65(4), WHEDA would like to share the following regard to the above-mentioned programs:

- Program Activity
- Program Goals and Outcomes
- Program Financial Statements

Economic Development Program Activity - 234.65(4)(c)

The Authority's PLP Program did not participate in any new loans for the period ending June 30, 2021.

The transactions for this report had no participating private funding sources or participating federal source.

Exhibit A provides a detailed listing of the Authority's program activity for fiscal year ended June 30, 2021.

Program Goals and Outcomes - 234.65(4)(a)

Based on the activity in the PLP Program, WHEDA's Board encumbered additional resources in its 2021 Dividends Plan. An additional \$3.5 Million was encumbered in between 7/1/2020 and 6/30/2021, bringing the total funds that have been allocated in the program to \$37.2 Million.

WHEDA has used the Participation Loan Program in tandem with the federal New Markets Tax Credit Program (NMTC). The NMTC program funds projects in low-income communities. Frequently, these projects are very large and challenging to finance conventionally. Layering multiple programs is often necessary to fund these projects. WHEDA has received multiple NMTC allocations and has expertise in structuring NMTC projects. WHEDA will continue to look for opportunities to use the Participation Loan Program together with the NMTC program.

The PLP program, also continues to be marketed on projects where the applicant is seeking approval of SBA 504 funding. The SBA 504 program provides long term fixed rate financing to projects after an interim financing period expires. WHEDA participates in these projects during the interim period. Lenders seek participants during interim construction, for example, to reduce their loan to value and overall exposure to a Borrower. WHEDA's participation can mean the difference between a project being funded or not. WHEDA views these short-term transactions favorably because funds are not tied up for a long period of time (typically 12 to 18 months).

Exhibit B provides a detailed description of the Authority's PLP and Bond Programs.

Program Financial Statements - 234.65(4)(b)

Exhibit C provides a Balance Sheet as of June 30, 2021 and an Income Statement for the 12-month period ending June 30, 2021. Program income currently covers general and administrative expenses.

Exhibit A: Program Activity

Fiscal Year ending June 30, 2020

Participation Loan Program

<u>Loan Amount</u>	<u>Participation Loan Amount</u>	<u>Disbursement Date</u>	<u>City</u>
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No loans were disbursed during this reporting period.

Economic Development Bonding

<u>Bond Issuance Amount</u>	<u>Bond Closed</u>	<u>City</u>
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No economic development bond activity for this reporting period.

Participation Loan Program

Census Data

<u>Census Tract</u>	<u>Unemployment Rate*</u>	<u>Average Income*</u>
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No loans were disbursed during this reporting period.

Economic Development Bonding

<u>Census Tract</u>	<u>Unemployment Rate*</u>	<u>Average Income*</u>
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No economic development bond activity for this reporting period.

*Source: CohnReznick NMTC interactive map (ACS 2011-2015)

Exhibit A: Program Activity
Fiscal Year ending June 30, 2021

<u>Participation Loan Program</u>	<u>Jobs Data</u>	<u>Date Funds Disbursed</u>
Concord Mayfair Hotel LLC	57.95	04/24/2019

After a review of WHEDA's internal procedures and statutory requirements, WHEDA feels it will be most effective to report jobs in the second year following the year in which the loan was disbursed, under the belief that a steady state of employment could be achieved and that this jobs number would best represent the accomplishments of the program.

<u>Participation Loan Program</u>	<u>Number of Additional Participants</u>			
	<u>Private</u>	<u>Federal</u>	<u>*State</u>	<u>Local</u>

No loans were disbursed during this reporting period.

<u>Economic Development Bonding</u>	<u>Private</u>	<u>Federal</u>	<u>*State</u>	<u>Local</u>
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No economic development bond activity during this reporting period.

Exhibit B: Program Goals and Outcomes

Chapter 234.65 - Participation Loan Program ("PLP")

Status:	Funded and Active
Inception:	2012 – Dividend Plan (i.e., Internal Capital) funding
Program Goal:	To participate on loans for small business projects that would help provide credit enhancement to lenders, in order to help retain and create jobs in the State of Wisconsin

Program Description - WHEDA® PARTICIPATION LOAN PROGRAM

What is the purpose of this program?

WHEDA's Participation Lending program is intended to provide Wisconsin businesses with financing that could not otherwise be secured through traditional lending.

The program partners WHEDA with local community Participating Lenders, banks, credit unions, economic development corporations, community development financial institutions, small business investment corporations, and other entities that provide commercial loans in the state.

What are the Features and Benefits of the Loan?

To reduce risk for the participating lender and provide access to competitively priced gap and mezzanine financing available for use during construction—including SBA 504 construction loans.

What are eligible uses of loan proceeds?

An economic development project will be eligible for the financing of land purchase, facility purchase or construction (office, plant, production facilities, etc.), equipment, long-term (permanent) working capital, equipment, materials and labor employed in improvements to commercial facilities that result in energy conservation, and facilities for the production, packaging, processing or distribution of raw agricultural commodities.

- Facilities for manufacturing or commercial real estate activities.
- National or regional headquarters facilities.
- Facilities for the storage or distribution of products of manufacturing activities, materials, components or equipment.
- Facilities for the retail sale of goods or services.
- Facilities for research and development activities.
- Recreational and tourism facilities serving to attract visitors to this state.
- Facilities for the production, packaging, processing or distribution of raw agricultural commodities.
- Facilities for engaging in the business of operating a railroad.
- Facilities for recycling.
- Businesses where the principals do not owe past-due child support.
- Activities of a long-term nature, such as research and development, or long-term working capital may also be eligible. In addition, equipment, materials or labor used to make an energy-conserving improvement to a commercial or industrial facility would also be eligible.

Required Criteria

WHEDA may not finance an economic development loan unless all of the following apply:

- The economic development project is or will be located in the State of Wisconsin.
- One or more other financial institutions participate in the economic development project.
- WHEDA shall not assume unsecured or uncollateralized risk for any economic development loan.
- The economic development loan will not be used to refinance existing debt, unless it is in conjunction with an expansion of the business or job creation.
- The name of the person receiving the loan does not appear on the statewide support lien docket.

Priority Considerations

WHEDA will give priority to economic development projects which:

- Maintain or increase employment in Wisconsin.
- Will be located in an area of high unemployment or low average income.
- Provide services or activities that would otherwise not be available in the community or in Wisconsin.
- Are more than 50% owned by women or minorities.
- Have current gross annual sales of \$5,000,000 or less or that employ 250 or fewer people.
- For new businesses, have less than 50% of their ownership held or controlled by another business and have their principal business operations in this state.
- Have multiple financial institutions or other financing sources participating in the economic development project.

Chapter 234.65 – Economic Development Conduit Bond Issue Program

Status:	Funded and Active
Inception:	Chapter 234
Program Goal:	WHEDA's Economic Development Conduit Bond Issuance Program is intended to provide Wisconsin businesses financing that will create and retain jobs in the State of Wisconsin and promote economic development in both rural and urban communities.

Program Description - WHEDA® Economic Development Conduit Bond Issue Program

\$150 MM in Economic Development Bonding Authority has been approved through June 30, 2022.

Sources of tax-exempt bond financing include:

- Industrial Revenue Bonds.

What are eligible uses of bond proceeds?

An economic development project will be eligible for the financing of land, plant, or equipment for any of the following:

- Facilities for manufacturing or commercial real estate activities.
- Facilities for the retail sale of goods or services.
- Other eligible projects include national or regional headquarters facilities, facilities for the storage or distribution of products of manufacturing activities, materials, components or equipment, facilities for research and development activities, recreational and tourism facilities serving to attract visitors to this state, and facilities for the production, packaging, processing or distribution of raw agricultural commodities.
- Activities of a long-term nature, such as research and development, or long-term working capital may also be eligible.

Required Criteria

WHEDA may not issue bonds to finance an economic development loan unless all of the following apply:

- The economic development project is or will be located in the State of Wisconsin.
- One or more other financial institutions participate in the economic development project.
- WHEDA shall not assume unsecured or uncollateralized risk for any economic development loan.
- The economic development loan will not be used to refinance existing debt, unless it is in conjunction with an expansion of the business or job creation.
- The name of the person receiving the loan does not appear on the statewide support lien docket.

Considerations

WHEDA may finance an economic development loan only after considering all of the following:

- The extent to which an economic development project will maintain or increase employment in this state.
- Whether an economic development project will be located in an area of high unemployment or low average income.
- The extent to which the activities constituting the economic development project otherwise would not occur.

Preferences

WHEDA shall also give preference to businesses:

- Which are more than 50% owned or controlled by women or minorities.
- That, together with all of their affiliates, subsidiaries, and parent companies, have current gross annual sales of \$5,000,000 or less or that employ 250 or fewer persons.
- That have less than 50% of their ownership held or controlled by another business and have their principal operations in the State of Wisconsin.

Exhibit C: Program Financial Statements

WHEDA 234.65 ECONOMIC DEVELOPMENT PROGRAM FINANCIAL STATEMENTS

Fiscal Year 2021
6/30/2021

ASSETS		
Mortgage Loans Receivable, net	\$ 12,275,203.20	
Interfund Settlement	\$ (2,073,312.22)	
TOTAL ASSETS		\$ 10,201,890.98
LIABILITIES		
	\$	0
FUND BALANCE		
		\$ 10,201,890.98
TOTAL LIABILITIES & FUND BALANCE		
		\$ 10,201,890.98

Income Statement For the 12-Month Period Ending 6/30/2021

INCOME		
Mortgage Loan Income*	\$ 1,088,948.17	
Other Income	\$ 14,081.52	
TOTAL INCOME		\$ 1,103,029.69
EXPENSES		
General and Administrative Expense	\$ (73,948.75)	
TOTAL EXPENSES		\$ (73,948.75)
NET INCOME(LOSS)		\$ 1,029,080.94

*Origination Fee Income \$ 1,214.97